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World Social Situation 2017: Promoting inclusion through social protection

Note by the Secretariat

Summary

The present note, which provides an overview of the Report on the World Social Situation 2017, presents the report's main conclusions and policy recommendations. The full report will be issued as a United Nations sales publication.

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I. Introduction

1. A central pledge of the 2030 Agenda for Sustainable Development[1] is to ensure that no one will be left behind, to see all Goals and targets met for all nations and peoples and for all segments of society, and to endeavour to reach the furthest behind first.[2] Yet, in virtually every country, some individuals and social groups still confront barriers which prevent them from fully participating in social, economic and political life. Social exclusion is manifested in the routine denial of opportunities, of access to resources, of voice and of the respect for rights, whether based on a person's age, gender, race, ethnicity, disability, origin or economic or other status.[3]

2. With its overarching objectives of eradicating poverty in all its forms and leaving no one behind, the 2030 Agenda underscores the importance of social protection for the attainment of the Sustainable Development Goals. Target 1.3, under Goal 1, aims at implementing "nationally appropriate social protection systems and measures for all, including floors", and by 2030 to achieve "substantial coverage of the poor and the vulnerable". The importance of social protection is also recognized as a means of progressively achieving greater equality under Goa' 3 on health (in particular target 3.8), Goal 5 on gender equality (in particular target 5.4) and Goal 10 (in particular target 10.4) on reducing inequality within and among countries. In recognition of the need to step up development efforts aimed at improving the living conditions of those left behind, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development[4] includes a commitment to "provide fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors, with a focus on those furthest below the poverty line and the vulnerable, persons with disabilities, indigenous persons, children, youth and older persons".[5] This commitment, when fulfilled, will contribute to the realization of the human right to social security, as affirmed in articles 22 and 25 of the Universal Declaration on Human Rights[6] and in articles 9 and 11 of the International Covenant on Economic, Social and Cultural Rights.[7]

3. The present note, which reviews the contribution of social protection to social inclusion, focuses, in particular, on the social protection coverage received by selected social groups, namely, children, youth, older persons, persons with disabilities, international migrants, and ethnic minorities and indigenous peoples. The note concludes with a discussion of policy considerations regarding the design and implementation of social protection programmes.

II. Social protection, poverty and inequality

4. Social protection systems, including floors, are defined as all public measures providing benefits in cash or in kind to guarantee income security and access to

[1] General Assembly resolution 70/1.

[2] Ibid., para. 4.

[3] See *Report on the World Social Situation 2016: Leaving No One Behind — The Imperative of Inclusive Development* (United Nations publication, Sales No. E.16.IV.1) for an analysis of the drivers and outcomes of social exclusion.

[4] General Assembly resolution 69/313, annex.

[5] Ibid., para. 12.

[6] General Assembly resolution 217 A (III).

[7] See General Assembly resolution 2200 A (XXI), annex.

health care.[8] They encompass contributory social insurance schemes, tax-funded social assistance, public works programmes and other schemes providing basic income security. People enjoy effective coverage when they are protected by social insurance or receive tax-funded benefits.[9]

5. There has been significant progress in building and strengthening social protection systems around the world. However, social protection coverage is still uneven. It is estimated that 45.2 per cent of the world's population was effectively covered by at least one social protection cash transfer in 2016. However, only 23 per cent of the global population enjoyed comprehensive social protection coverage, including disability, employment injury, maternity and unemployment benefits, old age pensions, and child or family benefits.

6. Despite these deficits, social protection systems have long been recognized as essential tools for addressing exclusion, poverty and inequality. At the World Summit for Social Development, held in Copenhagen from 6 to 12 March 1995, Governments drew attention to enhanced social protection as one of the key actions needed to eradicate poverty and reduce vulnerability.[10] The notion of social protection as a mainstream policy tool for eradicating poverty and promoting other major developmental goals gained momentum during the 2000s. In response to the global financial and economic crisis of 2008, the United Nations System Chief Executives Board for Coordination, at its first regular session of 2009, endorsed the Social Protection Floor Initiative as one of its nine system-wide joint crisis initiatives.[11] Subsequently, the ILO General Conferences adopted the Social Protection Floors Recommendation, 2012 (No. 202). In calling upon Governments to implement nationally appropriate social protection systems and measures for all, the 2030 Agenda solidifies the consensus of the international community on the centrality of social protection for inclusive development.

7. Universal access to social protection has indeed proved vital in shielding individuals and families from economic shocks and other contingencies, and in enhancing their capacity to manage and overcome situations that affect their well-being. It is estimated that between 136 million and 165 million more people would be living in extreme poverty in low- and middle-income countries in the absence of social protection.[12] Insofar as they help men and women living in poverty manage the trade-offs between meeting their immediate needs and securing future livelihoods, social protection measures encourage capital accumulation and investment. When they promote children's access to health care and school

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[8] This definition is in accordance with the definition of social protection floors provided under the Social Protection Floors Recommendation, 2012 (No. 202) of the International Labour Organization.

[9] See *The Sustainable Development Goals Report 2017* (United Nations publication, Sales No. E.17.I.7).

[10] Specifically, under the Programme of Action of the World Summit for Social Development, adopted by the Summit on 12 March 1995, Governments agreed that:

> Social protection systems should be based on legislation and, as appropriate, strengthened and expanded, as necessary, in order to protect from poverty people who cannot find work; people who cannot work due to sickness, disability, old age or maternity, or to their caring for children and sick or older relatives; families that have lost a breadwinner through death or marital breakup; and people who have lost their livelihoods due to natural disasters or civil violence, wars or forced displacement.

See *Report of the World Summit for Social Development* (United Nations, Sales No. E.96.IV.8), chap. I, resolution 1, annex II, para. 38.

[11] See CEB/2009/1, sect. III.

[12] Ariel Fiszbein, Ravi Kanbur and Ruslan Yemtsov, "Social protection, poverty and the post-2015 agenda", World Bank Policy Research Working Paper No. 6469 (Washington, D.C., World Bank, May 2013). The estimates are based on data for 59 countries.

enrolment and attendance, social protection programmes also help break the pattern of an intergenerational transmission of poverty.

8. Social protection has the potential to protect consumption in difficult economic times, and thus buttress the level of aggregate demand in support of sustained economic growth. Indeed, it is a well-known countercyclical macroeconomic stabilizer. In this regard, investment in social protection to expand access and benefit levels reduces poverty and vulnerability both directly and through its impact on growth.

9. While the impact of social protection programmes varies according to their design, the level of coverage and the adequacy of transfers, evidence from across the world attests to their potential to reduce income inequality as well. Tax-funded social assistance programmes, alone, have brought the Gini coefficient down by more than 10 per cent in countries such as Mauritius and Mongolia.[13] Contributory social insurance programmes have an even greater equalizing role in middle- and high-income countries. In countries of Central Asia and Eastern Europe, for instance, the Gini coefficient is almost 16 per cent lower than it would have been in the absence of social insurance schemes.

III. Social protection coverage, disadvantage and exclusion

10. While the impacts of social protection on poverty and income inequality are well documented, less is known about its effects on the challenges faced by disadvantaged social groups. As far as coverage is concerned, recent data indicate that some groups are better covered than others. Arguably, the most notable advance in recent decades has been the extension of old-age pensions. In 2016, close to 68 per cent of older persons received a pension.[14] At the same time, in the same year, only 28 per cent of persons with severe disabilities received disability benefits, 35 per cent of children were covered by social protection and just 22 per cent of unemployed workers received unemployment benefits.[15] Whether social protection addresses the needs of these groups depends not only on coverage but also on the adequacy of transfers. In some cases, the benefits received may be insufficient to guarantee the income security of those who enjoy coverage. The following sections highlight gaps in coverage and in the adequacy of transfers as well as progress made in addressing the needs of the seven selected social groups.

A. Children

11. Childhood is a crucial stage of the life cycle in terms of physical, cognitive and psychological growth. Early childhood experiences, in particular, have lifelong effects. Yet, children and their families are at a high risk for poverty. In 2016, 19.5 per cent of children in developing countries were living in households in extreme poverty, as compared with 9.2 per cent of adults.[16] More than half of all children in extreme poverty live in sub-Saharan Africa and about 36 per cent live in South Asia. At the same time, children in Africa are 14 times more likely to die

[13] Based on data from the World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE). Available at http://datatopics.worldbank.org/aspire/ (accessed 26 June 2017).

[14] *The Sustainable Development Goals Report 2017*.

[15] Ibid.

[16] World Bank and UNICEF, "Ending extreme poverty: a focus on children", briefing note, October 2016. Available at https://www.unicef.org/publications/files/Ending_Extreme_Poverty_A_Focus_on_Children_Oct_2016.pdf.

before their fifth birthday than children in Europe, mostly from preventable causes.[17]

12. Currently, 108 countries out of 183 with sufficient data provide periodic cash benefits to children and families.[18] While a majority of developed countries have achieved universal or almost universal social protection coverage of children, coverage is still low in many developing countries. In the last two decades, the expansion of tax-funded cash transfer programmes has helped extend coverage to children and families in many of them. Some of these programmes, including the well-known Bolsa Família programme in Brazil and the South African Child Support Grant, have achieved significant coverage. In most countries, however, cash transfer programmes do not yet reach a significant proportion of the intended population and are in the process of gradual expansion.

13. In addition, benefits are often too small to guarantee the income security of children and their families. Overall, public expenditure on social protection benefits aimed at meeting the needs of children is low. On average, Governments allocated 0.4 per cent of gross domestic product (GDP), or 7.4 per cent of total social protection expenditure (excluding health spending), to child and family benefits in 2010-2011, with the proportion of GDP ranging from 2.2 per cent in Western Europe to 0.2 per cent in Africa and in Asia and the Pacific.[19]

14. There is ample evidence that, if properly designed, implemented and adequately funded, social protection interventions can help to reduce poverty as well as contribute to specific outcomes that are fundamental for child development. More resources are needed to provide adequate coverage to children and their families.

B. Youth

15. Young people (ages 15 to 24) undergo important lifelong transitions. It is during youth that many people move from school to work, become politically engaged and start families of their own. The transition to adulthood presents young people with major opportunities but also entails significant risks. In the labour market, the youth unemployment rate — estimated at 13.1 per cent in 2016 — is twice as high as the total unemployment rate — estimated at 5.8 per cent in 2017.[20] Even when they find a job, young people are overrepresented in vulnerable employment, often in the informal sector, or work under temporary and other non-standard contracts because they cannot find long-term, more secure jobs. In addition, a growing number of youth are neither in the labour market nor in education. Survey data for 28 countries show that roughly 25 per cent of the population aged 15 to 29 was neither employed nor in education or training in 2015.[21]

16. Creating a social and economic environment that allows young people to thrive in adulthood is crucial to promoting their inclusion. When pathways to decent

[17] United Nations, Department of Economic and Social Affairs, Population Division, "World Population Prospects: The 2017 Revision — Key Findings and Advance Tables", Working Paper No. ESA/P/WP/248 (2017).

[18] International Labour Organization, *World Social Protection Report 2014/15: Building Economic Recovery, Inclusive Development and Social Justice* (Geneva, International Labour Office, 2014).

[19] Ibid.

[20] International Labour Organization, *World Employment and Social Outlook: Trends 2017* (Geneva, International Labour Office, 2017).

[21] International Labour Organization, *World Employment and Social Outlook: 2016: Trends for Youth* (Geneva, International Labour Office, 2016).

work are lacking, social protection has an important role to play in addressing exclusionary risks at this critical time in the life cycle. Unfortunately, many young people, especially those in low-income countries, are not covered by a social protection scheme of any kind.

17. Although few schemes formally exclude youth, the socioeconomic disadvantages they experience hinder coverage. Policy design and implementation often create de facto barriers which leave youth uncovered. Significantly, many of the social protection schemes available to youth are contributory. Yet, because of their age and their high level of participation in the informal economy, young people have shorter formal work histories than adults and have paid less into contributory schemes. When it comes to unemployment protection, only 20 out of 201 countries provide unemployment benefits for first-time job seekers.[22] In Europe, minimum contributory periods range from 4 to 24 months. Young people in need can access, where available, tax-funded schemes such as unemployment assistance, minimum income benefits, housing-related benefits like rent allowances and health care. However, cash benefits for children and families often elude them, either because of their age, as many child benefits are not available beyond the age of 18, or because they no longer reside with their parents.

18. Failing to invest in youth — by, for instance, limiting access to unemployment insurance for first-time job seekers or restricting access to health-care coverage to workers in the formal sector, — can have long-term costs. Not only do excluded young people suffer from poverty, but they also miss out on opportunities for training and skills development that can be expanded through social protection benefits. Furthermore, young parents who are poor cannot afford to invest in the health and education of their children. The deprivations suffered at birth and through childhood often lead to poverty in adulthood as well, resulting in the perpetuation of a vicious cycle of intergenerational poverty.

C. Older persons

19. The number of persons aged 60 and over is projected to double in size from 2015 to 2050 — from 906 million in 2015 to 2.080 billion in 2050.[23] As the share of older persons continues to grow around the world, the need to guarantee their income security will become increasingly pressing. In countries with comprehensive social protection systems, older persons can rely at least partly on pensions to meet their needs. In many developing countries, however, a high proportion of older persons receive no public support and face high economic and social insecurity.

20. Old-age pensions account for more than half of all public social protection expenditure (excluding health spending), or 3.3 per cent of GDP, worldwide.[24] While 68 per cent of the world's population received a pension in 2016, there are significant regional disparities in coverage. Only 10 per cent of people above retirement age received a pension in Oceania, excluding Australia and New Zealand, and 22 per cent in sub-Saharan Africa.[25] Although effective pension coverage is still insufficient, there has been rapid progress in the last decade. The number of countries where more than 90 per cent of older persons received a pension increased from 34 in 2000 to 45 in 2010-2012.[26] Coverage is still lower among older women

[22] *World Social Protection Report 2014/15.*

[23] The 2017 Revision of World Population Prospects. Data available from https://esa.un.org/unpd/wpp/ (accessed 28 June 2017).

[24] *World Social Protection Report 2014/15.*

[25] *The Sustainable Development Goals Report 2017.*

[26] *World Social Protection Report 2014/15.*

than among older men in all regions, both because women generally live longer than men and because of the lifelong disadvantages women experience, including in the labour market.

21. A majority of those countries that rely exclusively on contributory pension schemes to provide old-age income security fail to achieve universal pension coverage, mainly because contributory schemes rarely reach workers in the informal economy. In developing countries, the introduction or extension of tax-funded (social) pensions, which are usually adopted in combination with contributory pensions, has helped expand coverage in recent decades. However, when social pensions are targeted to older persons living in poverty, pension systems often leave a significant coverage gap, including a "missing middle" comprising older persons who are not living in poverty but who may nevertheless be vulnerable to it.

22. Among older persons who are covered, pension levels are often not adequate. In member countries of the Organization for Economic Cooperation and Development (OECD), contributory pensions replace 63 per cent of pre-retirement income, on average.[27] Replacement rates are as low as 28 per cent in Mexico and the United Kingdom of Great Britain and Northern Ireland. Although transfers from tax-funded pensions are generally lower than those from contributory pensions, the former reach a larger share of persons living in poverty and therefore play a stronger redistributive role.

23. Meeting the needs of a growing number of older persons will be critical to achieving the Sustainable Development Goals. As the share of older persons grows, Governments will need to find the right balance between providing adequate benefits and ensuring the long-term sustainability of pension schemes. While highly generous pensions may not be sustainable, insufficiently funded or otherwise inadequate pension systems will jeopardize the well-being of older persons and their participation in social life. It may also affect their trust in the State and result in less willingness to pay the taxes and contributions that are necessary to ensuring income security in old age.

D. Persons with disabilities

24. An estimated 15 per cent of the world's population lives with a disability.[28] People with disabilities have less access to education, poorer health and a weaker attachment to the labour market than people without disabilities. These disadvantages as well as the high costs of living with a disability — including costs related to medical treatment and rehabilitation, transportation and assistive technology — put persons with disabilities and their families at high risk of poverty. While physical or mental impairments may impose some limitations, the existing evidence suggests that people with disabilities routinely face accessibility and attitudinal barriers which hinder their access to opportunities, resources, voice and rights.

25. Almost all countries include provisions for working-age persons with disabilities in their social protection systems. While 81 countries offer only contributory social insurance schemes to this group, 87 have a combination of contributory and tax-funded disability schemes, mostly means-tested.[29] Nonetheless, there are significant gaps in effective coverage. Even in OECD countries, over

[27] Organization for Economic Cooperation and Development, *Pensions at a Glance 2015: OECD and G20 Indicators* (Paris, 2015).

[28] World Health Organization and World Bank, *World Report on Disability* (Geneva, WHO, 2011).

[29] *World Social Protection Report 2014/15.*

20 per cent of people with disabilities were not receiving any public benefit and were not in employment in the late 2000s.[30]

26. In addition, benefits are often inadequate. Data for 29 developing countries indicate that benefit levels are often below 15 per cent of GDP per capita of each country, with benefit levels as a proportion of GDP per capita ranging from 51 per cent in Uzbekistan and 35 per cent in Brazil to less than 5 per cent in China and India.[31] The large differences in coverage and in benefit amounts across countries speak in large part to differences in programme design and implementation. They do not necessarily reflect different levels of disability across countries or different needs among persons with disabilities.

27. Clearly, social protection benefits are but one of the policy tools needed to support persons with disabilities. Overall, they help persons with disabilities and their families meet their basic needs. However, when schemes are designed based on the perception that people with disabilities lack capacity and are dependants, they can have a negative effect on their participation in society. For example, eligibility for disability benefits that is conditional on a person's capacity to work perpetuates dependency and reinforces stereotypes. A rights-based approach to social protection calls for empowering its recipients and ensuring a basic income for all individuals regardless of circumstances. This is particularly relevant within the context of fostering participation and empowerment of persons with disabilities.

E. International migrants

28. Although international migration is not a new phenomenon, a growing number of people choose or are forced to migrate; and in 2015, there were 244 million international migrants around the globe, including over 21 million refugees and 3 million asylum seekers.[32] Migration is a well-established strategy for managing risk. Traditionally, individuals and families have moved to cope with the impacts of unemployment, poverty, climate change, war and disease and continue to do so. However, moving is risky and migration to the country of choice is rarely assured. Language and other social barriers to their participation can put migrants at a disadvantage in their country of destination and increase their vulnerability to poverty and social exclusion. In addition, migrants are often treated by the laws and regulations of receiving countries in ways that infringe on their basic human rights.

29. In countries of destination, the eligibility of migrants for social protection depends on their status. Migrants who have acquired the nationality of their country of residence enjoy practically the same rights as native-born individuals. Foreign migrants admitted in a country under long-term residence and work permits (one year or longer) often have access to social protection on the same terms as nationals,

[30] Organization for Economic Cooperation and Development, *Sickness, Disability and Work: Breaking the Barriers — A Synthesis of Findings Across OECD Countries* (Paris, 2010). The funding mechanisms for these benefits may vary from country to country.

[31] Development Pathways, Disability Benefits Scheme Database. Available at http://www.developmentpathways.co.uk/resources/disability-benefits-scheme-database (accessed 2 June 2017).

[32] United Nations, Department of Economic and Social Affairs, Population Division, "Trends in the International Migrant Stock: The 2015 Revision" (December 2015) (POP/DB/MIG/Stock/Rev.2015). Available from http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml.

but only after having resided or worked in the country for a certain period of time.[33] Since access to most social protection measures requires a minimum period of work or residence, the rights of temporary migrants are generally restricted.

30. As far as migrants in an irregular situation are concerned, Governments struggle to strike a balance between reducing what they perceive as incentives for irregular migration and ensuring that the human rights of migrants in such situations are protected. In practice, equal treatment in access to social protection is rarely included among their rights. In most countries with information, migrants in an irregular situation are given access to emergency health care, either by law or de facto, and to limited accident compensation benefits. They rarely have access to tax-funded social assistance programmes beyond health care.

31. Migrants may lose their entitlements when moving out of their country of origin if social protection benefits are not portable across countries. Not only does establishing adequate portability entail ensuring that benefits accrued in one country are payable in another country, but it also requires determining benefits on the basis of an individual's full contribution period in all the countries where that individual has paid contributions. A significant number of countries have negotiated bilateral and multilateral agreements to ensure the adequate portability of entitlements, although there are still many loopholes. Most of these agreements cover long-term contributory benefits, mainly old-age pensions. Health-care benefits are less often within the purview of these agreements, even when contributory, and tax-funded payments are rarely portable.

32. Overall, it is estimated that in 2000, only 23 per cent of all international migrants were legally covered by social protection programmes in their countries of destination and enjoyed adequate portability of benefits.[34] However, the effective coverage of migrants is likely to lag significantly behind their legal coverage, given the multiple administrative, cultural and social barriers to access that they face. The evidence available does indicate that there is often a disconnect between law and practice. While migrants are at higher risk of poverty than nationals, they are less likely to receive social protection benefits in a majority of host countries with data and, when they do, the benefits they receive are significantly lower.[35]

F. Ethnic minorities and indigenous peoples

33. In general, indigenous peoples and members of ethnic minorities are at a significantly higher risk of poverty than the majority of the population. They face substantial disadvantages in access to health, education and employment as well.[36] The historical legacy of colonization, slavery and dispossession of lands, territories and resources is at the root of these disadvantages. In many countries, discrimination against these groups continues to affect their participation.[37] In addition, both indigenous peoples and ethnic minorities often live in rural and remote areas with poor infrastructure and low-quality or non-existent services. In

[33] In countries that grant permanent residence, for instance, immigrants have nearly full access to social protection only two to five years after obtaining permanent residence status, although they contribute to unemployment, pension and other schemes starting from the time of their admission to the host country.

[34] Johanna Avato, Johannes Koettl and Rachel Sabates-Wheeler, "Definitions, good practices and global estimates on the status of social protection for international migrants", Social Protection Discussion Paper No. 0909 (Washington, D.C., World Bank, May 2009).

[35] Organization for Economic Cooperation and Development, *International Migration Outlook 2013* (Paris).

[36] *Report on the World Social Situation 2016* (see footnote 3).

[37] Ibid.

urban areas, residential segregation along ethnic lines has also contributed to the marginalization of minorities.

34. In recent years, many countries have made efforts to increase social protection coverage for indigenous peoples and ethnic minorities, mostly through tax-funded schemes. Data for several countries in Latin America indicate that indigenous persons are often overrepresented among beneficiaries of conditional cash-transfers schemes, for instance.[38] However, it is not clear whether these programmes are achieving their aims of reducing poverty and improving human capital accumulation. Studies in this same region suggest that these schemes have had some positive impacts on school enrolment and even on the educational attainment of indigenous and minority children. However, the evidence on health impacts is mixed.[39] As far as poverty is concerned, other studies suggest that these schemes have had little effect so far on the ethnic income divide. In some cases, the size of transfers has been too small to make a significant difference in terms of poverty levels.[40]

35. Whether social protection programmes benefit indigenous peoples and ethnic minorities depends on how well they address the needs of these groups and the challenges that they face. These challenges are both tangible (for example, geographical isolation, inadequate social infrastructure and lack of information in indigenous languages) and intangible (e.g., discrimination).

IV. What drives exclusion from social protection?

36. Even in countries where social protection is guaranteed by law, not all segments of the population are reached effectively. Gaps in coverage, insufficient benefits and barriers to access which affect some social groups more than others pose a challenge to the effectiveness of social protection in reducing inequalities and promoting inclusion.

37. On the one hand, gaps in access are but one outcome of the forces that drive disadvantage and exclusion in the first place. That is to say, the prejudicial treatment of people based on their characteristics or their identity, which results in unequal power relations, can prevent some groups from accessing social protection and other public goods and services. Often, members of disadvantaged groups exert a limited influence on decision-making in their communities and their households. This applies to all of the social groups examined in this note, and even more to other social groups for which there are fewer data, namely, homeless persons, internally displaced persons and persons in institutions. Women are also overrepresented among the population with partial or no access to social protection across all groups

[38] See, for instance, Gillette Hall and others, (forthcoming) "Conditional cash transfers in Peru: is there evidence of program impact?", Global Human Development Program Working Paper (Washington, D.C., Georgetown University, forthcoming); and Andrés Ham, "The impact of conditional cash transfers on educational inequality of opportunity", *Latin American Research Review*, vol. 49, No. 3.

[39] Esteban J. Quiñones and Shalini Roy, "The impact of conditional cash transfer programs on indigenous households in Latin America: evidence from PROGRESA in Mexico", IFPRI Discussion Paper No. 01511 (Washington, D.C., International Food Policy Research Institute, February 2016).

[40] Maynor Cabrera, Nora Lustig and Hilcías E. Morán, "Fiscal policy, inequality and the ethnic divide in Guatemala", CGD Working Paper No. 397 (Washington, D.C., Centre for Global Development, March 2015). See also Nora Lustig, "Fiscal policy and ethno-racial inequality in Bolivia, Brazil, Guatemala and Uruguay", Commitment to Equity (CEQ) Working Paper No. 22 (New Orleans, Louisiana, Center for Inter-American Policy and Research, Tulane University, January 2015).

examined. There has been progress in reaching some traditionally disadvantaged social groups, as described in this note and many of the laws that formally restricted access by some groups of the population to social protection and public services have been repealed. However, discrimination continues to reinforce some of the barriers faced by these groups.

38. On the other hand, socioeconomic disadvantages can themselves hinder social protection coverage, even in countries that no longer impose formal barriers to access and regardless of whether discriminatory behaviours persist. In the labour market, indigenous peoples, members of ethnic minorities, migrants, persons with disabilities and youth receive lower wages than the rest of the population, as do women, and work more often in vulnerable jobs, often in the informal sector where social protection is largely absent. Spatial disadvantage also hinders access to social protection among some groups, including indigenous peoples and members of ethnic minorities.

39. Last, policy design and implementation play an important role in keeping social protection out of the reach of some or, alternatively, in giving those left behind opportunities to participate. Certainly, the availability of social protection, per se, does not guarantee that the needs of disadvantaged groups are covered. The effects of social protection on the drivers and symptoms of social exclusion depend on the specific measures in place and on the way in which they are implemented.

V. Inclusive social protection: policy implications

A. Policy design and implementation

40. Availability is undoubtedly the first and most basic condition for the provision of income security and the addressing of exclusion by social protection systems. As a system, social protection should consist of a set of schemes aimed at meeting different needs. Since entitlement with regard to contributory schemes is conditional on the payment of contributions and as those contributions may not be affordable to all members of society, inclusive social protection systems must offer a minimum set of tax-financed schemes. The right to social protection for all can hardly be realized if it is not within reach of those who are furthest behind.

41. In recent years, many low-income countries have made great strides in expanding access to social protection, mainly through social assistance schemes. While some of these schemes are grounded in solid legal frameworks, others are implemented in the form of small-scale, often temporary safety-net programmes. While such programmes can help address short-term needs, most of them leave participants just as vulnerable to future shocks. At the World Summit for Social Development, Governments agreed that social protection systems should be based on legislation.[41] Indeed, lasting availability calls for strong legal and institutional frameworks as well as long-term strategies. Their absence puts the political and fiscal sustainability of social protection programmes at risk.

42. The second condition for the inclusiveness of social protection systems is accessibility. Social protection must be available to all individuals without discrimination.[42] In terms of eligibility, universal social protection schemes are more likely to ensure non-discrimination, since those available to all are available without conditions. While targeting is widely used to reach those individuals and

[41] Programme of Action of the World Summit for Social Development, para. 38.

[42] See the International Covenant on Economic, Social and Cultural Rights, adopted by the General Assembly on 16 December 1966.

groups most in need, well-targeted schemes require advanced administrative capacities. Means-testing benefits, in particular, involves methodologically complex surveys and has high administrative costs. Categorical targeting — the selection of specific social groups — is generally less complex, although there are exceptions: disability assessments, for instance, demand significant capacity in the health and social works sectors. Since measuring income and consumption accurately is challenging and costly, Governments in developing countries use indicators that are highly correlated with income — such as housing conditions and ownership of various assets — as "proxies" to identify persons in poverty and improve coverage. The available evidence suggests that these proxy means tests perform slightly better in covering the target population than traditional means-tested schemes, although there is still significant undercoverage of potential beneficiaries.[43]

43. This finding does not systematically rule out the need for measures targeted to specific groups of the population in order to address the specific conditions that they face. Even in a policy framework grounded in universalism, certain segments of the population face greater challenges than others in overcoming poverty and social exclusion. Complementary special or targeted measures may be necessary, even temporarily, to overcome those challenges. In practice, social protection systems are rarely based on purely universal or purely targeted approaches. Some measures are universal, while others are targeted to groups that are in need of particular support and hard to reach through universal measures. Both types of spending may be justified depending on each country's situation. However, targeting should not be approached as a cost-saving measure. It requires strong administrative capacities which may not be available to all countries. Attention must also be paid to ensuring that eligibility criteria are objective and transparent, and that the stigmatizing of beneficiaries is avoided.

44. As regards policy implementation, registration procedures and the way in which payments are delivered affect access as well. In general, the risks of undercoverage are higher where registration systems place strong demands on potential beneficiaries for information and supporting documentation. Persons with disabilities, ethnic minorities, migrants and members of other disadvantaged groups benefit most from simple, streamlined registration systems. For schemes that require proof of legal identity, efforts must be made to improve civil registration and ensure that those who have often been "invisible" in official statistics are included so as to lay the foundations for a system where citizens can claim their right to social security. Factors such as the distance to registration sites and payment locations, along with long lines and inadequate infrastructure, can constitute additional barriers to access, particularly for persons with disabilities. For schemes based on census registration, under-enumeration in remote and insecure areas and infrequent registration are major obstacles to access as well. In this regard, new information and communications technologies can help lower these barriers if access to such technologies is adequate and available to all. Finally, lack of information is a major obstacle to accessing social protection and is itself a symptom of social exclusion. Many people do not benefit from social protection programmes because they are unaware that those programmes exist or that they may in fact qualify for them. They may not understand how the application process works, what compliance entails or

[43] For a further analysis on means-targeting, see Caitlin Brown, Martin Ravallion and Dominique van de Walle, "A poor means test? econometric targeting in Africa", *NBER Working Paper* No. 22919 (Cambridge, Massachusetts, National Bureau of Economic Research, December 2016). See also Stephen Kidd, Bjorn Gelders and Diloá Bailey-Athias, "Exclusion by design: an assessment of the effectiveness of the proxy means test poverty targeting mechanism", Extension of Social Security (ESS) Working Paper No. 56 (Geneva, International Labour Office, Social Protection Department, 2017). Available at http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54248.

how to access benefits. Tailoring public information campaigns to the needs of potential applicants is particularly important in this regard.

45. The third condition for the inclusiveness of social protection systems is adequacy. Often, the amount or the duration of benefits is not sufficient to guarantee an adequate standard of living and access to health care. Although the adequacy of benefits must be defined at the country level, ILO Recommendation No. 202 (para. 8 (b)) establishes that due consideration should be given to the principle that "basic income security should allow life in dignity" and should be sufficient to provide access to "a set of necessary goods and services" as determined by national poverty lines or other income thresholds. If social protection systems are to exert a meaningful impact on inclusion, a clear fiscal commitment is required.

B. Affordability of social protection

46. While social protection systems should vary depending on specific country contexts, research has indicated the cost of providing a basic social protection floor. In a recent study of 20 Asian countries, it was estimated that the weighted average of the cost of closing social protection gaps and ensuring access to health at all ages and basic income security during childhood, adulthood and old age, stood at between 3.0 and 5.2 per cent of GDP.[44] A series of studies by ILO for a selected set of low-income and lower middle-income countries in sub-Saharan Africa and Asia have shown that the initial gross annual cost of a basic social protection package would lie between 2.2 and 5.7 per cent of GDP in 2010.[45] More comprehensive systems require higher levels of investment. OECD countries, for example, currently spend 12.4 per cent of GDP on social protection, including social insurance and general taxation but excluding health.[46]

47. A missing critical factor in many countries for setting up successful social protection programmes is sustainable funding. While fiscal space has increased in the last 10 years in a majority of developing countries, including many in sub-Saharan Africa, more can still be done to mobilize domestic resources and optimize public spending. Researchers, having estimated that for about 100 countries the investment needed to close the gaps in their social protection floors would not exceed 5 per cent of GDP, believe that those gaps could be bridged through efforts to increase tax compliance or reallocate resources until 2030.[47] However, at least 13 countries have larger gaps and would thus need substantial help from the international community in order to bridge them. While the recurrent costs of social protection floors are affordable in the majority of developing countries, many need support in starting up a national social protection system. The allocation of further donor resources for capacity-building in order to help countries design and implement effective systems is warranted.

48. Countries need to plan well for the implementation and financing of social protection floors, so as to ensure that financing is available during both the booms and slowdowns of the economic cycle. Social protection expenditures tend to rise

[44] Michael Cichon and David Cichon, "Financing of social protection for informal sector workers in Asia: challenges and opportunities", in *Social Protection for Informal Workers in Asia*, Sri Wening Handayani, ed. (Manila, Asian Development Bank, 2016), pp. 63-119.

[45] International Labour Organization, *Extending Social Security to All: A Guide through Challenges and Options* (Geneva, International Labour Office, 2010).

[46] Data from OECD Social Expenditure Database (SOCX). Available from https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG (accessed 23 May 2017).

[47] Mira Bierbaum and others, *Social Protection Floor Index: Monitoring National Social Protection Policy Implementation*, discussion paper (Berlin, Friedrich-Ebert Stiftung, March 2016). Available at http://www.icsw.org/images/docs/SPF/SPFI_Monitoring_2016.pdf.

during economic slowdowns when the available resources are falling, so that financing needs to be countercyclical. For some countries, creating dedicated fiscal reserve funds has been a successful strategy for creating countercyclical financing. This has been a particularly popular choice for commodity-exporting countries, although these systems have to be well designed in order to deal with commodity price fluctuations. Today, given low commodity prices, building a reserve fund through this mechanism would be difficult.

49. It is important to note that countries at similar income levels exercise a substantial degree of discretion regarding both public expenditure and the share of public resources allocated to social expenditure. For instance, Brazil spent over 15 per cent of GDP on social protection, excluding health care, in 2010, while Guatemala spent 3.1 per cent in 2011 and Honduras spent less than 1 per cent in 2010.[48] Political will is a critical factor in respect of ensuring sufficient and sustained funding for social protection systems. In the main, countries that have successfully reduced income poverty and improved social conditions on a broad scale invested in comprehensive rights-based social protection policies covering a majority of the population. Building consensus around reforms, including across government ministries and among different stakeholders, is an important consideration.

50. As regards resource mobilization, the Addis Ababa Action Agenda (para. 22) included the commitment to modernized, progressive tax systems and improved tax policy as the main means for achieving enhanced domestic revenue. The extent of redistribution depends on the degree of progressiveness of the tax system (income and property taxes are usually progressive, while indirect taxes are generally regressive) and on the nature of the benefits distributed based on public spending choices. The positive effects of social protection programmes on poverty reduction can be undone by a regressive tax system. For example, a study of 28 low- and middle-income countries found that the extreme poverty headcount was higher after taxes and transfers in five countries.[49] What is more, in all 28 countries, some people living in poverty were net payers into the fiscal system — paying more in taxes than they received in transfers — and were therefore impoverished by the system.

51. Finally, universal access to basic social protection, together with access to social services, is necessary to break the intergenerational cycle of poverty and promote inclusion. However, social protection will have a limited impact on these social ills if it is not complemented by broader interventions which address access to resources and their redistribution. A policy environment conducive to inclusion requires, for instance, macroeconomic policies oriented towards the promotion of inclusive economic growth and the creation of decent jobs for all. Measures such as ensuring access by poor women and men: to land, credit and other productive resources, housing, fair inheritance rights, full legal capacity and justice are also critical for social inclusion.

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[48] *World Social Protection Report 2014/15*, table B.12.

[49] Nora Lustig, "Fiscal policy, income redistribution and poverty reduction in low and middle income countries", Commitment to Equity (CEQ) Working Paper No. 54 (New Orleans, Louisiana, CEQ Institute, Tulane University, January 2017).